



**Data Transmission Network Corporation**

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***DRAFT***

October 4, 2001

Roger Hinkle, Chief,  
Licensing Authority Branch  
Warehouse and Inventory Division  
Farm Service Agency  
United States Department of Agriculture  
STOP 0553  
1400 Independence Avenue, SW.  
Washington, DC 20250-0553

Dear Roger,

In response to the implementation of the United States Warehouse Act;  
Proposed Ruling, DTN would like to offer the following comments on Farm  
Service Agency, 7 CFR Parts 735,736, et al.:

**Comment Number 1:**

*Page 46318, Part 735 – REGULATIONS FOR THE UNITED STATES  
WAREHOUSE ACT, Subpart E (Electronic Providers), Section 735.401, Sub-  
Section (a)(2) – Electronic warehouse receipt and USWA electronic document  
providers).*

Insurance coverage (Fraud & Dishonesty and Error's and Omission)  
requirements: (Each Policy = \$4,000,000)

DTN has two main issues surrounding the Insurance coverage:

- 1) DTN needs a better definition as to what the USDA/FSA requires in this  
area. We want to abide by the ruling, but need a better understanding  
as to what the needs are to meet the insurance requirements
- 2) Insurance premiums and additional "business practice" requirements from

Insurance Companies will add a huge financial strain on becoming a provider of EWR's. Insurance Company has stated they will not insure DTN with the \$10,000 proposed retention rate from USDA. Their suggestion was \$75,000-\$100,000. The carrier also insists on the creation of an internal audit department for the Fraud and Dishonesty coverage that could cost an additional \$50,000 to implement which would severely limit DTN from becoming a provider. At this time, DTN has not had a quote relating to "Errors and Omissions, but the carrier stated this would be less of a problem than the Fraud and Dishonesty requirement.

Net worth requirements: (\$100,000)

DTN would suggest that net worth requirements be in-line with "other electronic documents", and therefore would suggest a \$1,000,000 net worth minimum for Electronic Warehouse Receipts.

Possible Insurance Solution:

A better definition of the insurance requirements is necessary. DTN would suggest changing both the "Fraud and Dishonesty" and "Error's and Omission" coverage level to \$1,000,000.

## **Comment Number 2:**

*Page 46318, Part 735 – REGULATIONS FOR THE UNITED STATES WAREHOUSE ACT, Subpart E (Electronic Providers), Section 735.402, Sub-Section (a)(2) – Providers of other electronic documents).*

Insurance coverage (Fraud & Dishonesty and Error's and Omission)  
requirements: (Each policy = \$25,000,000)

- 1) Again, DTN needs better definition as to what the USDA-FSA requirements are regarding the insurance needs, especially surrounding the Fraud and Dishonesty policy.
- 2) DTN feels the \$25 Million requirement is extremely high related to the actual "risk" that is created in this arena. With DTN handling electronic documents that are similar to the current "paper documents", we obtain data from trading partners computer systems and "transport" this data electronically. This is no different than a current "paper" transport company such as the U.S. Post Office, UPS, or Federal Express. All data that will be carried by DTN can easily be re-generated in "paper" format. DTN feels that this requirement should be no higher than the insurance requirements under Subpart E 735.401 dealing with Electronic Warehouse Receipts.

- 3) Insurance Premiums for this amount of protection will no doubt be cost-prohibitive for DTN. Our Insurance carrier states that premiums could be significantly high. With this amount, DTN would probably not be able to apply for "other document" provider status.

Possible Net Worth Solution:

Make the "Other Document" net worth requirements the same at "Electronic Warehouse Receipts", or \$1,000,000 as suggested earlier.

Possible Insurance Solution:

Reduce the amount of insurance to the same amount required by Electronic Warehouse Receipts (suggested at \$1,000,000). The argument could be made that providers for EWR's have a greater risk than simply exchanging electronic documents due to the ownership issue related with EWR's.

In the arena of "other electronic documents", each trading partner has the original data, DTN is just acting as an electronic post office as well as mapping electronic file formats. All of this is data that could be reproduced if needed.

**Comment Number 3:**

*Page 46342, Part 735 – REGULATIONS FOR THE UNITED STATES WAREHOUSE ACT, Exhibit F "Provider Agreement to Electronically File And Maintain Other Electronic Documents", second paragraph, middle column reading:*

*If a non-negotiable document in a non-electronic format is presented to the Provider for transmission in their CFS, the Provider may generate an electronic version of such document but must maintain custody of the original nonnegotiable document except as is authorized by FSA.*

We would suggest the removal of this paragraph.

**Comment Number 4:**

*Page 46343, Part 735 – REGULATIONS FOR THE UNITED STATES WAREHOUSE ACT, Exhibit F "Provider Agreement to Electronically File And Maintain Other Electronic Documents", III. Suspension or Termination, part A:*

DTN would suggest changing the written notification from 60 to 90 days.

**Comment Number 5:**

*Page 46343, Part 735 – REGULATIONS FOR THE UNITED STATES  
WAREHOUSE ACT, Exhibit F "Provider Agreement to Electronically File And  
Maintain Other Electronic Documents", Addendum No. 1: Fees:*

DTN would suggest that the application fee of \$9,000 proposed, be lowered to the previous amount for cotton at \$2,000 annually. External audits of providers (which our insurance carrier has already suggested) could augment the annual audit by FSA. If the \$9,000 fee is kept, we would like a breakdown of what we are paying for.

**Comment Number 6:**

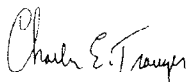
DTN would suggest the addition of a "Force Majeure" section to the Proposed Rules.

DTN would also like to state that in response to this rulemaking, we endorse the NGFA statement in its entirety.

Roger, I appreciate you taking the time to review DTN's comments on this extremely important project. You and your team have put a lot of hard work into this project and DTN looks forward to participating in it to help make Electronic Warehouse Receipts a reality for the Grain Industry.

Please feel free to contact me with any questions you might have relating to our comments and thoughts.

Sincerely,



Charles E. Trauger  
Vice President – Business Development  
Data Transmission Network Ag Services Division